RAJYA SABHA

Tuesday, the 7th March, 1989/16th Phalguna, 1910 (Saka)

The House met at eleven of the clock. **Mr. Chairman** in the Chair.

ORAL ANSWERS TO QUESTIONS

Export targets fixed for Defence Public Sector Undertakings

*161. SHRI PARVATHANENI UPENDRA: Will the Minister of DEFENCE be pleased to state:

(a) whether specific export targets had been fixed for the defence public sector undertakings;

(b) if so, whether these targets have been fulfilled by these undertakings; and

(c) whether it is a fact that some experts have questioned the credibility of Government's new arms export strategy?

THE MINISTER OF STATE IN THE DEPARTMENT OF DEFENCE PRODUCTION AND SUPPLIES IN THE MINISTRY OF DEFENCE (SHRI CHINTAMANI PANIGRAHI): (a) Targets for export during 1987-88 and 1988-89 were fixed by M/s. Hindustan Aeronautics Limited, M/s. Bharat Electronics Limited and M/s. Bharat Earth Movers Limited.

(b) Targets for 1987-88 were exceeded by all the above three Defence Public Sector Undertakings. The target for 1988-89 for M/s. Bharat Electronics Limited was exceeded by the end of December, 1988.

(c) No such communication has been received by the Government.

SHRI PARVATHANENI UPENDRA: Sir, the total value of our defence exports continues to be very low as compared to some of the neighbouring countries. For example, China exports to the extent of Rs. 1500 crores. I would like to know from the hon. Minister, what is the total value of our defence exports during the last three years and whether it is a fact that the rate of growth of defence production has declined over the years.

THE MINISTER OF DEFENCE (SHRI K. C. PANT): Sir, during the last three years, direct exports in 1984-85 were of the order of Rs. 12.60 crores; deemed exports Rs. 230.36 crores, and the total was Rs. 242.96 crores. In 1985-86, direct exports were of the order of Rs. 15.33 crores, and deemed exports were Rs. 161.82 crores, and the total comes to Rs. 177.15 crores. In 1986-87, direct exports were Rs. 5.24 crores, and deemed exports Rs. 160.20 crores; total Rs. 165.44 crores. In 1987-88, direct exports were Rs. 14.95 crores and deemed exports Rs. 43.85 crores and the total is Rs. 58.80 crores. I would agree with my friend that compared to not only the developed countries but to some of the developing countries, our exports are low; there is no doubt about it, and that is why a special effort needs to be made in the direction of getting export orders.

SHRI PARVATHANENI UPENDRA: I had also asked whether it is a fact that the rate of growth of our defence production has come down lately.

SHRI K. C. PANT: That is a much broader question. About the production in general, I do not have the figures; about exports, I have the figures with me.

SHRI PARVATHANENI UPENDRA: What are the items India is exporting, because the buyers want the most sophisticated weapon systems? Is our country in a position to supply these armaments and is it also not a fact that we have not been able to supply components sub-systems as part of deals with foreign buyers? What is the real fact? There are a number of items that we export. The list is very long. For instance, HAL has exported aircraft and helicopter components; BEL has exported electronic components; BEML has exported loaders and dumpers; Midhani exported titanium alloys, and so on. I have the figures in relation to exports made by different undertakings. I feel that the base

of industry has been broadened and strengthened to an extent. Where, if we make a planned effort and we have a definite thrust, we can increase our exports; exports not merely of hardware but of software as well. Through export of technology and through buy-back arrangements, we can step up our exports. Today, we import without exploring the buy-back arrangements possible. Therefore, there are many ways in which exports can be increased. We can even enter into joint collaborations for exports to third countries. We can build up, say, training institutions in other countries. This is another form of export. But the whole thing has to be organised properly so that there is a definite thrust and direction.

SHRI A. G. KULKARNI: Sir, the hon. Minister has given an indication about the exports. I would like to know from the hon. Minister whether he will see that exports by the Bharat Electronics Limited, which has got a better potential, are increased, because our country has a lot of talent in electronics, computers and other software items I do not, therefore take a pessimistic view that our exports are small. It is a developing country and our exports will definitely grow. From this point of view, I would like to know whether the Government will take special care to go into the export of products by the Bharat Electronics Limited which has got a better potential as our boys are better trained in electronics.

SHRI K. C. PANT: The Bharat Electronics Limited has certainly a lot of potential for export but, necessarily, competition is also quite fierce. But in the software area, in particular, I see a lot of scope. But what makes me happy is that the Bharat Electronics Limited has been able to export electronic components and silicon transistors etc. to countries like the U.K., the U.S.A., Switzerland and so on; very advanced countries but still they have managed to export to these countries. This is a very good sign.

SHRI M. S. GURUPADASWAMY: Sir, obviously, export of defence equipment and components to various countries does not occupy priority in our planning and defence. We have taken up the export of defence equipment late in the day. I am quite happy that we have been doing it. My point is, there has been considerable ad-hocism in this matter. There is no planning as such for export. Our defence industries are geared to cater to the domestic demand, domestic requirements. They are not oriented also for export. Therefore, my specific question is whether the defence industries already existing and which will be set up in future will have such an orientation. For this there should be a survey of the requirements of other countries. Till now, there has not been any survey, any report, on this matter. May I know from the hon. Minister whether this has been engaging the attention of the Government?

SHRI K. C. PANT: Yes, Sir. Actually, it is not that no effort was made in the part. In 1973, I think, an export promotion cell was set up for the export of defence items. Exports were stepped up for a couple of years. Then it petered down and I find that now it has come down practically to nil. An inter-Ministerial Board was set up later. This did some work but as my hon. friend rightly says, it was not the kind of planned and co-ordinated effort which is absolutely essential. I do not find any detailed survey having been made. I tried to go into that fact and I agree with him that it will be necessary to make that survey. One important aspect is the setting up of capacity in the country which he mentioned. I think it is very important that we should not set up capacity which is uneconomic in size and so, to achieve economy of scale if we can have a buy-back arrangement or co-production and achieve the economy of scale that way, then that is the distinct advantage.

Secondly, if we can have this kind of arrangement, quality is assured because the other country will buy back something.

Thirdly, price is assured because you will have to produce at a price comparable to international price. So, this aspect is important and we shall pay attention to it.

SHRI BIR BHADRA PRATAP SINGH: Mr. Chairman, Sir, I must congratulate the R&D and the Defence Production Board, especially when I have learnt that we were exporting middle-class computers to the United States of America. Then I have gone through the paper cuttings which say that a new invention in the field of computer is very much demanded by America and we have agreed to that. Now my specific question is, with the cut in defence budget what would be the import on our R&D and export promotion?

SHRI K. C. PANT: Sir, it is a somewhat indirect quertion. My only answer can be that in spite of the budget-cut we will do our best to see that neither our R&D nor our export suffers.

SHRI JASWANT SINGH: Mr. Chairman, Sir, before I seek answer to my main question I would like to seek a very small clarification. The hon. Minister has said that such and such is the figure of direct export and this is the figure for deemed export. I would be grateful if he clarifies; what are the items under 'deemed' export as such?

Now, to my mind there are three preconditions in any successful export drive for defence items or defence hardware or not even hardware. One is the international demand for them. The other is excess domestic capacity or excess domestic production and third is the special creation of such a capacity for export. Would, therefore, the hon. Minister clarify what excess capacity, domectic capacity exists at present so as to permit us to engage ourselves in export even in respect of these three examples that he has given, that is, Bharat Aeronautics, Earthmovers and Electronics? How does the Government intend creating either this excess capacity or special capacity? What then is the Government's assessment of international demand for items which we could potentially, or possibly offer in the market? As for the special cell, which the hon. Minister is reported to have said that he is going to revive the cell or create a new cell, would it not amount to multiplying bureaucracy? Why does not the STC, which is directed with this very function of export of items, take on this activity? What is the difference between this special cell that he is thinking of and the function of the STC?

SHRI K. C. PANT: Sir, firstly, with regard to the deemed exports, I do not have a list of deemed exports but they would be things like dumpers and so on which are used within the country on projects which are financed by, say, the World Bank, and so on. That would come under deemed exports.

On the question of excess capacity, there is excess capacity. For instance in HAL, in several of its shops I have had an exercise carried out, in which we have got the details of capacity utilisation over the next five to ten years and you can see the graph going down in many cases. In some cases the order book position is not bad. It is a bit cyclic in some cases and it is necessary to watch. In some technologies, you find that gradually you go on to the next stage of technology but we can still export the present stage of technology to some countries. When there are aeroplanes and spare parts, we may move on to something else but we can still supply spare parts. There are many areas and when we are exploring we find that there are possibilities. As I said earlier, we do not have that kind of detailed market survey which, I think, is at the back of my hon. friend's mind. That will have to be carried out. But, as Mr. Gurupadaswamy said, once the whole attitude and approach is export-oriented, then I think it becomes easier. You go and see exhibitions abroad. We already have Defence pavilion in Pragati Maidan. We will improve upon that bring out literature and be generally much more alert to the possibility of export. That is missing. Once that comes in, I think it will be much easier to go ahead with all the export-oriented programmes.

On the question of the cell, it is a proposal at this stage. I do not want to spell it out till it is finalised. Privately I can tell my hon. friend, but it is not yet finalised. It is in the process of

being approved by the Government. Once it is approved, of course I can tell him quite frankly what shape it will take. It will be different from the STC. It is a highly specialised thing. We think that would be a better way of doing things.

SHRI SANTOSH BAGRODIA: I would like to know from the hon. Minister if it is true that some of the advanced countries are showing interest in defence items from India; if so, would he please give the details about those items? Is it really true that bilateral arrangements under which arms are imported against exports have to be there in case of some other countries? And can we export the freedom fighters to Africa, if required?

SHRI K. C. PANT: Sir, as I have mentioned, some of the exports are directly to countries which are advanced. He asked me about advanced countries. I can give some names. The United Kingdom is there, USA is there, Bulgaria is there, Malaysia, Hong Kong and so on are there. The list of countries is there. So we have been exporting to advanced countries also.

So far as the last part of the question is concerned, whatever export is done will be within the framework of national policy.

SHRI SUKOMAL SEN: Sir, I would like to look at the issue from a different angle and perhaps I may strike a discordant note. The question is about export of arms. Now our country is one of the very big importers of sophisticated arms. We import arms from other countries. Our country is not self- reliant in defence production, particularly of sophisticated armaments. So, instead of emphasising on arms export and converting India into another arms' merchant like some other countries, will the Government look at its policy asd revise it so that our defence production units can pay more attention to R&D work and the sophisticated armament which we import from other countries can be manufactured in our country? Instead of exporting some conventional arms to some other countries, we can do that so that our country becomes self-reliant in sophisticated arms and we do not need to depend on Sweden and other countries, as we have done earlier.

SHRI K. C. PANT: Sir, I do not see the link between the two parts of the question, I think we must be self-reliant; we must aim at self-reliance and we certainly are committed to attain self-reliance in defence production as quickly as possible. But that does not mean self-sufficiency It is not possible across the board to manufacture every thing. But over the last 40 years since independence, we have gone a long way towards building up self-reliance in defence production in this country and we are proud of that—and all of us should be proud of that. Whether it is tanks, whether it is fighters, whether it is naval ships, whether it is missiles or whether it is small arms, in all these we have attained a level of self-relance, of which the country can be proud. So, there is no contradiction between the policy of encouraging exports and the policy of attaining self-reliance. In fact, the two have to move in the same direction. Once we step up production, once we produce sophisticated arms, then only will there be a market for them abroad. Nobody is going to buy outdated arms today and, if somebody does buy them, well, so far so good, we can get rid of our obsolescent arms. But, otherwise, if somebody wants modern arms, we will have to manufacture them. So we have to aim at self-reliance and, then, export is a by-product of that. So, I see no contradiction between the two.

SHRI VISHWA BANDHU GUPTA: Sir, we have been carrying out this R and D and it seems that much greater effort is required for R and D in order to be able to sell abroad. While some success has been achieved, I would like to know from the honourable Minister whether he has made a perspective plan for stepping up this R and D in order to see that in the space age and the kind of weaponry that is going to be required and going to be imported by other people,

some effort, directly, is being made in that direction with a plan.

SHRI K. C. PANT: Sir, a plan will emerge after we have set up this body, but I must say this, that it is not as though we are going to depend only on the most modern technology. We have a base of industry in this country which is producing all kind of weapons, systems, transport equipment and the like. It is a very wide range, and today many countries in the world are buying this. After all, Pakistan is exporting, China is exporting, so many other small countries are exporting—and they are not exporting the latest technology. In fact, we are very good at some of the latest technology. But the ordinary, day-to-day requirements of small arms and ammunition, etc., are exported by other countries and there is no reason for us not to tap that market also.

WELCOME TO PARLIAMENTARY DELEGATION FROM INDONESIA

MR. CHAIRMAN: Honourable Members, I have an announcement to make.

We have with us this morning, seated in the Special Box, members of a Parliamentary Delegation from Indonesia which is currently on a visit to our country under the distinguished leadership of His excellency Mr. Soeryadi, Deputy Speaker of the House of Representatives of Indonesia.

On behalf of the Members of the House and on my own behalf, I take pleasure in extending a very hearty welcome to the Leader and other members of the delegation and wish our distinguished guests a very enjoyable and fruitful stay in our country. We hope that during their stay here they would be able to see and learn more about our parliamentary system, our country and our people and their visit to this country will further strengthen the friendly bonds that exist between us. Through them we convey our greetings and best wishes to the Members of the Indonesian Parliament and the friendly people of Indonesia.

ORAL ANSWERS TO QUESTIONS—Contd.

SHRI SUBRAMANIAN SWAMY: Sir, the idea of defence exports is a very good idea because it will lead to scale economies and reduce the cost of production of the arms within our own country. I would like to know two things from the Minister: One: Is there a policy as to on which areas you are going to target for the exports? Are you going to sell to whoever wants to buy from you? Two: Will you give this assurance in the House here and place it on record that in the export of arms you will not employ middlemen and pay commissions in foreign countries.

SHRI K. C. PANT: Sir, so far as the first question goes, there are some countries to which we will not export. The Minister of External Affairs has given us a list, and we will be careful that we do not export to those countries, and if necessary we may even consult them further where necessary.

So far as the second question is concerned, after we set up an autonomous organisation, it will have to proceed and find out what the best way is of effecting exports, and there I am not going to tie their hands.

SHRI SUBRAMANIAN SWAMY: You mean that you won't rule it out. Is that what you are saying?

SHRI K. C. PANT: Yes, that is what I am saying.

Plan outlay for Assam

*162. SHRIMATI BIJOYA CHAKRAVARTY: Will the Minister of PLANNING be pleased to state:

(a) whether it is a fact that the per capita plan outlay of the Seventh Five Year Plan for Assam is less than half of that of Himachal Pradesh, Jammu and